

Tax Cuts ‘Trigger’ Successful Year for Business; Workers’ Comp Benefits Increased for First Time in Decade

“Pleasantly surprised” might aptly describe the business community’s reaction to the 1999 legislative session. “It’s about time,” might be the response of labor interests.

Heading into the first regular session of the 41st Legislature, business groups — led by the Arizona Chamber of Commerce — were apprehensive about the chances for a successful year. After seven straight years of significant and varied tax cuts — corporate, income, and personal and business property — little was expected due to projected budget shortfalls. In addition, business interests were worried about a proposed “patient bill of rights” and its potential for increasing employee health insurance costs. And, after a decade of fighting with labor officials over improving Ari-

zona’s workers’ compensation benefits — some of the lowest in the nation — it was apparent that business would have to “bite the bullet.” The only question was how much would it be willing to swallow.

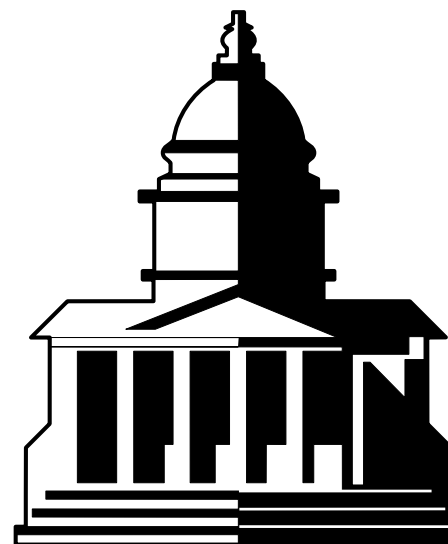
NEWS ANALYSIS

The session, however, turned out many pleasant surprises for business.

Revenue projections improved during the session, and a variety of tax-cut proposals — business property, corporate income, mining severance — were incorporated into a two-year budget. A portion of the tax cuts, though, must be “triggered” by improved revenue collections before they go into effect.¹ If the state’s economy continues on the path established in the first six months of 1999, most of the tax cuts will likely come to fruition.²

Secondly, business interests were able to beat back any form of “patient’s rights” legislation, as well as a number of regulatory bills considered “unhealthy” to the business community. “It was better than we expected. No anti-business bills were enacted into law,” said Tim Lawless, president of the Arizona Chamber of Commerce.

Finally, a battle over workers’ compensation issues didn’t come to fruition. Business and labor officials were able to call a truce — after years of what one lobbyist called “trench warfare” — and fashion a wide range



‘99 BUSINESS AND LABOR LEGISLATION REVIEW

of benefit improvements.³ Among these were a \$200 increase in the maximum allowable monthly benefit to \$1,600, a doubling of benefits for surviving spouse and children, and a two-thirds increase in the burial allowance (see Table 2). At the same time, labor officials grudgingly agreed to some restrictions on benefits. One included elimination of benefits to workers who were under the influence of drugs or alcohol while an accident had occurred, unless they can prove the business owner was aware of the behavior. Also, the new law makes it harder to reopen a closed workers’ comp case without substantive medical evidence.

Although labor had to make some concessions on workers’ comp, the legislative session had to be considered a success — in terms of tone, as well as substance. Besides getting

IN THIS ISSUE

Volume 23 No. 2

| | Page |
|---|----------|
| Business, Labor Legislation Review | 1 |
| Arizona’s Workforce, | |
| 1st Qtr. ‘99 | 10 |
| 1st Qtr. ‘99 Labor Market Data. | 11 |
| Industry Update | 14 |

workers' comp improvements, labor was able to stop a number of "anti-worker" bills, including legislation to limit a tactic known as "salting," used by organized labor to unionize nonunion businesses (see "Labor," below).

Maybe as important as its legislative success, labor can remember this session for a different reason — a more optimistic outlook. That optimism stemmed from the fact that Arizona labor interests were leading the charge on a winning issue (improving workers' comp benefits), instead of their usual focus on playing defense (to thwart bills) or ritually pushing legislation that has a "snowball's chance in Arizona" of being enacted (e.g., reversing the state's right-to-work law or creating an Arizona minimum wage).

And labor officials had good reason to be hopeful this year. Workers' comp had become a high-profile issue for a number of reasons: the recent death of two construction workers in trench accidents pointed out the hazards of unsafe working conditions; in-depth articles in the media highlighted the lack of progress in negotiations between labor and business; and the Legislature had passed a bill a year earlier that makes off-duty policemen killed driving to and from work eligible for workers' comp benefits.

But the optimistic tone may not last long. Labor officials realize they're fighting an uphill battle in a conservative state where less than 5 percent of the workforce is unionized. In recent years, several unfavorable pieces of legislation have been passed, while labor has struggled to keep others from becoming law, having to use all their goodwill to get improvements in basic welfare issues (unemployment insurance and health care for the working poor).

For example, in recent years laws have been enacted to: privatize welfare-oversight functions, eliminating

Table 1

Maximum Weekly Temporary Total Disability Benefit, Ranked by Percentage of Weekly Average Wage, Arizona and Selected States, January 1999

| | Maximum Weekly Benefit ¹ | Avg. Weekly Wage in Covered Employment ² | Max. Benefit as Pct. of Avg. Weekly Wage | Rank |
|----------------------------|-------------------------------------|---|--|-----------|
| Iowa | \$947 | \$479 | 198% | 1 |
| Vermont | 727 | 488 | 149 | 2 |
| Illinois | 863 | 639 | 135 | 4 |
| Washington | 711 | 588 | 121 | 5 |
| Alaska | 700 | 627 | 112 | 6 |
| Oregon | 577 | 546 | 106 | 8 |
| Minnesota | 615 | 585 | 105 | 10 |
| Wyoming | 465 | 452 | 103 | 11 |
| Florida | 522 | 513 | 102 | 13 |
| Ohio | 567 | 560 | 101 | 15 |
| South Carolina | 483 | 479 | 101 | 20 |
| Utah | 487 | 491 | 99 | 27 |
| Nevada | 535 | 553 | 97 | 30 |
| Texas | 523 | 575 | 91 | 34 |
| Michigan | 580 | 636 | 91 | 35 |
| Colorado | 520 | 583 | 89 | 36 |
| New Mexico | 392 | 464 | 84 | 39 |
| California | 490 | 650 | 75 | 41 |
| New Jersey | 539 | 726 | 74 | 43 |
| Mississippi | 293 | 434 | 67 | 45 |
| Arizona³ | 323 | 532 | 61 | 49 |
| Georgia | 325 | 563 | 58 | 50 |
| New York | 400 | 750 | 53 | 51 |

Notes:

- 1)** Temporary Total Disability Benefits as of 1/1/99
- 2)** Average weekly wage as of 9/98
- 3)** Arizona's benefits rose to \$368.56 as of 2/28/99; the average weekly wage for all of 1998 rose to \$563, bringing the maximum benefit's percentage of average weekly wage to 65 percent.

Source: AFL-CIO, 1999

several thousand state government jobs; make it extremely difficult for workers to sue employers for wrongful termination; and make it more difficult for seasonal employees in the hospital-ity industry to receive unemployment insurance benefits. And despite in-

creases in workers' comp and unemployment insurance benefits the past two years, the state still ranks near the bottom in benefits paid compared to the rest of the country, while having some of the lowest workers' comp and UI insurance rates for employers.

On the other hand, in the past two years labor has successfully lobbied against bills that would have prohibited unions from using members' dues for political activities without their approval, and denied unemployment insurance benefits to workers at the same time they are receiving severance pay. And they backed the governor on the newly enacted KidsCare program, which provides health insurance for children of the working uninsured.

"We've done some things that needed to be done," said state AFL-CIO Secretary-Treasurer Chuck Huggins. "But it hasn't been enough."

Business

Tax-cut bills have held sway over the Legislature during the 1990s, and this year wasn't any different in terms of legislation introduced. But with continued obligations for education spending, a weak Asian economy, and a Legislature wanting to be fiscally prudent in developing the state's first two-year budget since 1950, it appeared the tax-cutting streak was over. However, higher-than-expected tax revenues, improving economic forecasts, and some bill-writing ingenuity came through in the clutch.

In the early '90s, it was income and economic-development tax breaks that were a high priority. More recently, corporate, property, and vehicle-license taxes have been adjusted downward, and that trend continued through the first regular session of the 41st Legislature. With enactment of the Tax Relief and Fiscal Control Act (HB 2007), if tax revenues hit designated targets over the next two years, corporate, mining, research and development, business-property, and vehicle-license taxes will decline by nearly \$200 million.⁴

- After reduction by one percentage point to 8 percent in 1998, the corporate income tax was reduced to 7.968 percent and can fall in

Table 2

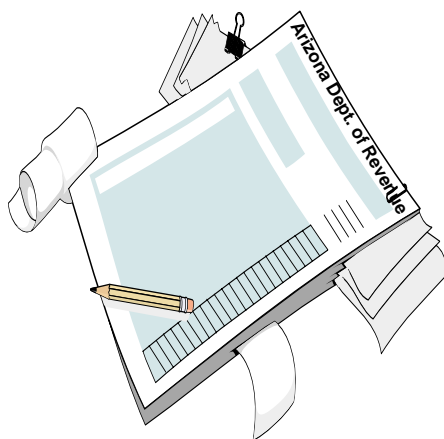
Comparison of Major Benefits Under Arizona's Workers' Compensation Law Before and After Enactment of SB 1410

| | Old Benefit (6/30/91-2/27/99) | New Benefit (Eff. 2/28/99) |
|---|---|---|
| Permanent Total Disability, Maximum Weekly Benefit | \$322.75 | \$368.86 |
| Temporary Partial Disability Benefit | 66 2/3% of difference between wages earned before the injury and wages injured person is able to earn thereafter; Unemployment Benefits during period of temporary partial disability | Same, plus 50% of retirement and pension benefits received from insured or self-insured employer during period of temporary partial disability |
| Burial Expenses | Up to \$3,000 | Up to \$5,000 |
| Surviving Spouse without children | 35% of average wage of the deceased, to be paid until spouse's death or remarriage, with two years' compensation in one sum upon remarriage | 66 2/3% of average monthly wage |
| Surviving Spouse with children | To spouse, same as above, plus 15% of average wage for each child until age of 18, or age of 22 if child is enrolled as a full-time-student in an accredited educational institution, or if over age 18 and incapable of self-support | To spouse, same as before, but increases amount paid to surviving children to 31 2/3% of average monthly wage, to be divided equally among them until age of 18, or 22 if the child is enrolled as a full-time student in any accredited educational institution, or if over 18 and incapable of self-support |

Source: Chapter 331, 41st Arizona State Legislature

one-quarter percentage-point increments to as low as 7 percent over the next several years if all the revenue triggers are met. Each quarter percentage-point reduction is estimated to lower corporate taxes by \$16 million annually, for a potential annual reduction of \$64 million.⁵

- HB 2007 reduced the state's vehicle-license tax \$20 million in FY 2000 and an additional \$20 million in FY 2001. This comes on top of cuts of about 20 percent over the last two years.
- The state's portion of the mining severance tax (about \$8 million annually), which is a form of sales tax on copper ore, will be totally eliminated within the next two years.⁶ The other portion of the tax (about \$5 million a year), which goes to cities and counties, will remain intact. The impact of the change may be smaller than expected, however, because three copper-mining companies announced in late June they were laying off about 2,600 workers, or about 25 percent of the state's mining workforce.⁷ Falling copper prices — currently half the price of two years ago — and cheaper production facilities abroad have hurt the profitability of the state's mining industry.
- The research and development tax credit was increased, and companies will now be allowed to carry forward expenses 15 years. Previously, businesses had to "use it or lose it."⁸ In addition, the dollar cap on R&D will be phased out over three years.⁹ High-tech companies are expected to benefit the most from this tax break.¹⁰
- The new law lowers over three years the minimum amount — from 10 percent to 2.5 percent — that business personal property can be valued for taxing purposes. This change, targeted for small businesses, is expected to lower taxes by \$15 million annually when



***Business and Personal Taxes Lowered
by \$190 Million Over Next Two Years***

fully implemented in FY 2003.

Business regulation appeared to be a high priority during this session, with passage or defeat of bills depending on specific issues. But as a general rule, the Legislature tended to err on the side of less regulation.

For example, business interests were able to kill the "patient bill of rights" health legislation, which would have made health maintenance organizations (HMOs) more accountable — through the threat of civil suits — to patients denied certain medical procedures or drugs. Currently, HMO clients cannot sue for civil damages — only the cost of the treatment — if it turns out a treatment they needed was denied. On the other hand, the Legislature passed bills which were signed by the governor to toughen regulation of abortion clinics and tattoo parlors.

The Arizona Healthcare Patients' Protection Act (HB 2034) would have allowed participants to see "any willing provider, as opposed to using providers chosen by the insurer."¹¹ Also, the bill would have given consumers the right to sue HMOs in order to guarantee access to certain procedures or drugs a primary-care physician prescribed. In addition,

another bill (HB 2561) would have guaranteed that employee insurance plans offer some type of mental-health benefits.¹²

In the end, however, business prevailed with the argument that costs would skyrocket with additional protections. Business interests said a consultant's report showed that costs of the additional mandates would increase premiums nearly 30 percent, while consumer advocates countered with a federal study showing a 2.3 percent increase.¹³

The apparent negligent death of a woman prompted the focus on the quality of care at abortion clinics. Beginning in April 2000, abortion clinics will have to meet the same licensing requirements as primary health-care facilities (e.g., hospitals, out-patient surgery centers) have to meet. The Department of Health Services will set up standards for supplies, equipment, and personnel to meet emergency situations. (see also "Occupations.")

With more of the population (male and female) having various body parts pierced and tattooed, it's not surprising increased regulation of these activities was inevitable. With the exception of ear piercing, it is now unlawful for anyone under 18 to be tattooed or pierced. Persons under 18 can get their ears pierced provided they have the written or verbal permission of a parent or guardian.

To help an industry that has suffered in recent years, the Legislature passed HB 2596, which rolls back regulation of re-insurance companies. According to industry officials, more stringent laws and higher fees enacted during the early '90s led to a 50 percent drop in the number of re-insurance companies based in Arizona — from 600 to 300 — since '91, and more than 100 in the last three years.¹⁴ The drop-off has not only caused a \$60 million loss in deposits for Arizona banks, but sharply cut into business for Arizona accountants, actuaries, and attorneys servicing the

re-insurance companies.¹⁵

A re-insurance company assumes part of the risk undertaken by insurance companies that directly write the policies. For example, a direct-line insurance company can form a re-insurance company with an auto dealer that wants to provide coverage to car buyers for loan repayments in the event of death or disability.

A directly related bill (S 1016) limits the liability of re-insurance companies to pay only once on a claim if a parent or "ceding" company becomes insolvent. The law forms a joint legislative study committee to review and analyze current laws in other states and counties related to re-insurance companies.¹⁶

Two other instances where the Legislature took a conservative approach involving regulation concerned telemarketing and car-repair industries. In one instance, the Legislature did enact some tighter regulation of telemarketers (see "Occupations," below), including requiring registration with the Office of Secretary of State and forbidding the use of pre-recorded message and blocking of Caller ID units. However, SB 1326 doesn't prohibit the use of machines that dial numbers at random or apply to individuals who aren't selling anything (e.g., politicians, survey companies).¹⁷

And a bill that would have required major automakers to provide repair information with non-affiliated repair shops failed in the Senate. Small repair shops argued that lack of that information gave a competitive advantage to authorized dealer service centers and made it difficult to repair increasingly computerized automobiles.

There were a half-dozen technology-related bills introduced this legislative session, with most dealing with potential civil-litigation issues. And while only a few bills made it into law, it shows the ever-increasing effect the high-tech industry is having on everyday lives.

Table 3

Major Business/Economic Development and Labor/Occupational Bills Passed in the 1999 Legislative Session

Business/Economic-Development Legislation

- **HB 2007** — Tax Relief and Fiscal Control Act will lower a variety of taxes by nearly \$200 million over next two years if state revenue hits designated targets. Among taxes reduced are corporate income, mining severance, business property, and vehicle license.- Research and development tax credits for business were also increased.
- **HB 2596, S 1016** — Relaxes regulation and fees and reduces civil liability exposure on re-insurance companies, as a way to encourage growth of industry which has seen a 50 percent drop in firms since 1991.
- **SB 1294** — Sets limits on the types of suits that can be filed pertaining to the Year 2000 (Y2K) problem. Law also requires plaintiffs to give a 90-day notice to potential defendants before filing a suit and limits the liability of computer manufacturers and software developers — through the use of an "affirmative defense."

Labor/Occupational Legislation

- **SB 141Q** — Increases workers' compensation benefits for individual workers, as well as surviving spouse and children.
- **HB 2487** — Overhauls the Board of Medical Examiners, including giving the Board the right to expand the powers of the director to expedite caseload, and gives additional funding to hire more investigators.
- **SB 1083** — Makes numerous technical and substantive changes to the statutes governing state retirement systems, including one-tenth of one percentage point increase in the multiplier rate for current retirement members and a mathematically equivalent 5 percent pension increase for all retirees, effective July 1, 2000.

Probably the most talked about legislative subject in Arizona (and nationally) concerning technology issues was the area of civil liability surrounding potential Year 2000 (Y2K) problems. Considered a "must" issue for the business community, the Legislature passed SB 1294, which sets limits on the types of suits that can be filed pertaining to Y2K and requires plaintiffs to give a 90-day notice to potential defendants before filing a suit.¹⁸ The law also limits the liability of computer manufacturers and software developers — through the use

of an "affirmative defense" — who make a good-faith effort to remedy the situation (e.g., offer a free replacement or upgrade).¹⁹ Although the new law didn't go as far as business would have liked, said Tim Lawless, president of the Arizona Chamber of Commerce, it did provide some relief for his members by making the "plaintiff meet a higher standard to prove its case."

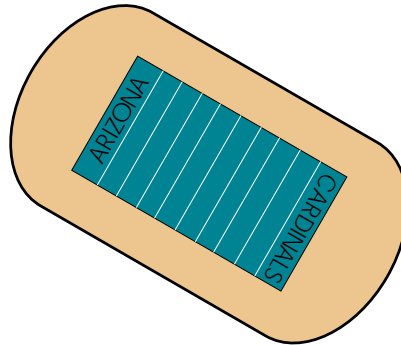
Other technology-related bills that did get enacted included two dealing with the regulation of the telecommunications field. SB 1085 allows cities

to award franchises and enter into contracts to charge fees to companies needing to use public highways to construct telecommunications facilities. And SB 1098 forms a study committee to look at a variety of issues related to the Internet (privacy, jurisdiction, regulation, and taxation).

As part of a crime bill, SB 1279 made it illegal for persons or businesses to knowingly give out personal information about law-enforcement officers (such as home addresses and telephone numbers) on an Internet web site. In other words, if an Internet Service Provider (e.g., AOL, USWest) becomes aware that one of its customers is publishing this information on a web site, it must take action to remove the information.

On the other hand, there was a high-profile piece of legislation protecting Internet privacy that, although it received a lot of attention, did not get enacted. HB 2690 would have forced Intel Corp. to ensure that its newest computer chip (Pentium III), which is manufactured in Chandler, be reconfigured so that it did not transmit an electronic serial number over the Internet to identify the owner of a particular computer.²⁰ The idea for this feature was to provide additional security for transactions made over the World Wide Web. But this also means there is the potential for individuals, business, or government to track the movements of persons surfing the Internet. In the end, the potential cost of recalling chips already distributed and re-manufacturing others led to the bill's defeat. "It's important for legislators to focus on technology issues. Unfortunately, some of this legislation is a case of their heart being in the right place, but the actual bills having the wrong effect," said Phoenix attorney Steve Weinberg who specializes in technology issues.²¹

Other business legislation that failed to make it through the process (for the second year in a row) was a bill that would provide "lawsuit protec-



***Theme Park and Stadium District
Legislation Repealed***

tion" of sorts to home builders accused of poor workmanship by homeowner associations.²²

The Legislature again took a cautious stance by not passing the bill, which would have allowed builders to correct any problems prior to a homeowners association taking legal action.²³ It also would have required "notification of, and approval by, members of a homeowner association prior to filing a class-action suit."²⁴

Although business interests achieved most of its agenda this year, there was one major defeat related to unemployment insurance. Labor officials were able to successfully argue that laid-off workers or employees that take early retirement should not have to forgo unemployment insurance benefits while receiving severance pay or any other type of lump-sum payments (see also, "Labor," below).

Economic Development

Compared to most of the decade, the 1999 session was meager in terms of quantity of economic development-sponsored legislation related to job growth. In the recent past, the Arizona Department of Commerce has been promoting perhaps one- or two-dozen bills to expand the state's

job base.

But lack of bills doesn't mean there wasn't a lot at stake in terms of proposed legislation. Plus, some could say that all of the hard work was already behind proponents of an economic-development agenda, with one of the strongest economies in the country to prove it.²⁵

Outside of the tax legislation mentioned above, the priorities of the economic-development community appeared to center around two issues — increasing funding for workforce training and limiting the impact of legislation eliminating previously approved tax breaks for "theme parks."

The former was part of a strategic plan developed by the Commerce Department's Office of Workforce Development Policy to improve the quality of Arizona's workforce. The latter took on particular importance because of several high-profile Phoenix-area projects, whose outcome would be determined by voters in Scottsdale and Mesa after the session ended.

Early in the session, it appeared that workforce-training funds the Commerce Department controls (about \$5 million a year) would be reduced by up to \$2 million, a victim of a potential budget shortfall and those skeptical of the need for training incentives in a vibrant economy. But there was a shift in opinion after revenue forecasts improved and it was pointed out that Texas spends 10 times as much as Arizona on workforce training.²⁶

Two other training bills, however, were not as fortunate.

One, which was debated as an alternative to funding workforce training through the state's General Fund, would have taken a portion of the unemployment insurance tax and dedicated it to workforce training. A similar law has been enacted in California.

Another bill that failed would have

given \$25 million to fund technical training for teachers. HB 2152, which would also have included \$1.75 million to create a Center for Classroom Technology under the state Department of Education, didn't make it out of committee.

One of the biggest areas of success — at least in the eyes of the Legislature — were changes made to previously-passed bills affecting stadium districts and theme parks. Once considered a novel idea for once-in-a-lifetime projects, legislators had become suspect of cities' increasing use of public financing to support private-enterprise projects, such as the Scottsdale Waterfront and Los Arcos projects.

In the end, the Legislature decided to repeal the legislation, but allow local districts that had already developed projects (through the end of September 1999) to have elections. The biggest project, the \$1-plus billion Rio Salado Crossing/Arizona Cardinals convention center/football stadium, went down to defeat in May, while the Scottsdale voters were expected to decide the fate of the Los Arcos Mall and Scottsdale Waterfront projects later in the year. The city of Tucson will also get a chance to vote on its downtown-improvement district, called Rio Nuevo.

Finally, the Commerce Department successfully promoted two economic-development bills. SB 1032 gives expanded tax credits for insurance companies wanting to locate in a military-reuse or enterprise zone. And HB 2240 exempts film-production vehicles from paying the permit fee for the single-trip use fuel tax.

Labor

Perhaps providing momentum for legislation that provides benefit improvements for workers' comp were two trench-digging accidents that led to the death of two workers. Regrettably, in both cases the trenches were not shored properly. One of the workers was a Mexican national,

Table 4

Major Additions to Laws Governing State's Board of Medical Examiners

- Board can delegate certain regulatory and licensing powers to Executive Director, including:
 - dismissing complaints that do not involve medical incompetence;
 - referring cases to a formal hearing if evidence warrants suspension or revocation;
 - closing cases resolved through mediation;
 - issuing advisory letters;
 - entering into a consent agreement if evidence of danger to the public health and safety;
 - granting uncontested request for inactive status and cancellation of license;
 - referring cases to the Board for a formal interview;
 - denying licenses if applicants do not meet basic requirements.
- Board will make available to the public through an Internet web site:
 - profile of each licensee, including name and location of licensee's medical school and date of graduation;
 - description of any criminal convictions or charges which licensee pled "no contest" within last five years;
 - number of pending complaints and final Board disciplinary and nondisciplinary actions, including dismissals, within the last five years;
 - all medical malpractice court judgments and arbitration awards in which payment was awarded to a complaining party within last five years.
- Upon a written application, the Board may reinstate a revoked license if the applicant demonstrates to the Board's satisfaction that the applicant is completely rehabilitated. The reinstatement will be based on the following:
 - the applicant has not engaged in any conduct that would have constituted a basis for revocation;
 - an applicant's civil rights have been restored, if a criminal conviction was a basis of the revocation;
 - an applicant has made restitution to any aggrieved person as ordered by a court;
 - an applicant demonstrates any other standard of rehabilitation the Board determines is appropriate.

Source: Chapter 218 - 441R - Senate Version of House Bill 2487, 41st Arizona State Legislature

whose family was not eligible for full death benefits, according to Arizona law, while the other person was under the legal age (18) allowed to work in trenches.²⁷

"We've found underage workers before, but I can't remember catching anybody in such dangerous conditions," said Larry Etchecury, chairman of the state Industrial Commis-

sion, in an article in *The Tribune*.²⁸ The Industrial Commission oversees Arizona's workers' comp program.

The incident involving the Mexican national spurred a change in Arizona law, giving non-U.S. citizens working in Arizona equal benefits. And the law was made retroactive to the time of the accident so that his family receives full death benefits.

As has been the case in recent years, labor officials said their biggest victories were preventing "anti-labor" legislation from being enacted. "Except for workers compensation, (the session) was a wash," said the AFL-CIO's Huggins.

This year, one of those triumphs included successfully lobbying against a bill (HB 2161) that would have outlawed certain union-organizing tactics. Among these tactics is having someone seek work at a business with the intent to organize a union or persuade employees to leave a business for a unionized workplace. Of those complaining about this practice, also known as "salting," were building trade associations.

Labor officials were also able to successfully lobby against two pieces of legislation that threatened the interests of state employees. And they persuaded legislators to enact several improvements in state retirement benefits, which affects not only 75,000 state employees (including university workers), but thousands of municipal and county employees and teachers in Arizona.

One of the adverse bills, from a labor perspective, would have eliminated the state employee merit system for new hires and replaced it with a "performance-based" personnel system. The idea behind the legislation was to make the state personnel system similar to those in the private sector, where the state's "at-will" law makes it easier for employers to fire workers.

Under the current merit system, state employees are entitled to certain procedures (personnel hearing, grievances) — somewhat similar to unions — that are intended to give them limited protections against unfair treatment or firings. Almost all government employers offer some sort of a merit system as a way to attract workers who historically have not been paid as much for similar jobs in the private sector. In recent years, how-

Figure 1

Front Page of Board of Arizona Medical Examiners' Internet Web Site

Arizona Board of Medical Examiners
Protecting the Public's Health

1651 East Morten Avenue, Suite 210
Phoenix, AZ 85020 602-255-3751
Toll-free within Arizona: 877-255-2212

BOMEX

The Arizona Board of Medical Examiners (BOMEX) is a state agency, responsible for licensing and regulating Arizona's allopathic physicians (medical doctors - MDs). Note that agencies other than BOMEX are responsible for licensing and regulating other types of physicians (Osteopathic [DOs], Naturopathic, Homeopathic, etc.).

BOMEX also provides administrative support for the Joint Board on the Regulation of Physician Assistants, which certifies and regulates Arizona's Physician Assistants (PAs).

| | | |
|---------------------------------------|--|---|
| MD Rules | MD Statutes | Physician & Physician Assistant Search |
| PA Rules | PA Statutes | Related Links |
| Licensing Information | Newsletter | Substantive Policy Statements |
| Press Releases | Definition of Actions | Board Statistics |
| | Employment Opportunities | Search for a Board Certified Doctor by Specialty and by ZIP code in your area |

ever, some of these protections have eroded as politicians have tried to make government workers more accountable for their actions. The bill (HB 2669) introduced in Arizona was patterned after a law enacted in Georgia a few years ago that eliminated that state's merit system.

The other bill negative to state workers would have privatized or farmed out to counties many of the functions of the Department of Economic Security (DES), the state's social-service agency. DES, which has come under criticism for bureaucratic red tape and inefficiencies, directly employs more than 9,000 workers.

Although the bill to abolish DES would have likely been vetoed by the governor, it surprised many political observers by getting through the House and coming within a few votes of passing in the Senate. "I figured people would come out of the woodwork to defend DES, but they didn't. Basically, it's hard to defend them, because they are so inept," Rep.

John Verkamp of Flagstaff, the main sponsor of the bill, told *The Arizona Republic*.²⁹ Those who did defend DES pointed out that many of the problems cited had been fixed in recent years. It's expected that similar legislation will be introduced again in 2000.

As part of several changes made to the Arizona State Retirement System, retired members will see a 5 percent increase in monthly benefits, while currently employed workers will receive the same increase through an increase in the multiplier used to determine their benefits when they retire. In addition, state employees will now have the option to receive Arizona's contribution to their retirement if they leave state service before they retire.

As mentioned above, business lobbyists pushed for a bill that would have cut off unemployment insurance benefits while laid-off workers were receiving severance pay or buyout packages. Huggins considered the

proposal "mean-spirited," hurting people at a time "when their lives are suddenly placed in turmoil."³⁰ The argument made for the bill was that severance pay, like unemployment insurance, is meant to provide a cushion between jobs. And that employers providing severance packages shouldn't have to be hit twice at the same time, since unemployment insurance is paid for by the employer. However, Huggins argued that a severance package is usually given to employees who have been with the company for a number of years, while unemployment insurance is given to almost all laid-off or fired workers as a minimal income benefit between jobs.³¹

Occupations

By far, most of the occupational legislation this session dealt with regulation of health professionals, which seems appropriate given that the state's Board of Medical Examiners (BOMEX) was the center of attention. A backlog of consumer complaints about medical practitioners (as many as 1,200 unresolved cases, according to one newspaper article), the quality of investigations, and a well-publicized death after a minor surgery at a clinic were at the heart of the BOMEX "feeding frenzy."³² And it led to the Legislature's overhaul of the statutes covering the medical-professional board.

The Legislature and BOMEX's new director, Claudia Foutz, attempted to fix some of the board's problems by passing legislation which expands the director's powers and gives additional funding to hire more investigators for the overworked board. (see Table 4) The director "can now single-handedly dismiss cases that do not involve quality of care, negotiate disciplinary agreements with doctors, or send them straight to a formal review by the board," reported an article in *The Tribune*.³³ In addition, as part of HB 2487, BOMEX is required to post on an Internet web site: a biographical background of all medical licensees,

"We've done some things that needed to be done. But it hasn't been enough."

*—Chuck Huggins,
Secretary-Treasurer,
Arizona State AFL-CIO*

including the licensee's medical school and date of graduation; any criminal convictions within the past five years; the number of pending complaints and final board disciplinary and non-disciplinary actions taken by the board including dismissals during the past five years; and all medical malpractice judgments and awards.³⁴

The BOMEX revisions, however, were only part of a busy session for bills affecting health occupations. There were a number of new laws requiring the fingerprints and background checks of medical professionals (e.g. occupational therapists, nursing assistants), plus a catch-all law that requires that all workers at residential-care institutions, nursing homes, or home-health agencies be fingerprinted for a criminal-history records check, unless their profession already requires background checks.³⁵

With SB 1084, the scope of practice for optometrists was expanded, allowing certified licensees to prescribe (on a limited basis) topical and oral pharmaceuticals. The law details conditions under which optometrists may or may not prescribe drugs and when it is necessary to consult with a patient's primary physician or specialist. Also, the Legislature gave the state's nursing board the power to expedite disciplinary actions against licensees who fail to rebut or request a hearing on allegations of improper conduct.³⁶

As mentioned above, as part of an attempt to crackdown on consumer fraud, SB 1326 now requires any for-profit telephone solicitor to file a limited registration statement with the Secretary of State's office before the salesperson solicits any consumer (see "Business," above).³⁷ A limited registration includes the legal name of the seller, the street address or addresses, and telephone number at the physical location of the principal place of business.

Among other occupational legislation passed were major revisions to laws overseeing notaries public and accountants. Regarding the latter, SB 1273 adds a number of regulations regarding partnerships, and spells out requirements for receiving a license to practice through reciprocity.

Notes:

1. Arizona State House Bill 2007, Tax Relief and Fiscal Control Act.
2. "Likely windfall will trigger tax cuts," Dan Nowicki, *The Tribune*.
3. "Workers' comp Often Overlooked — Until Needed," Brent Fine, *Arizona Economic Trends*, Spring 1998.
4. For a comprehensive breakdown of the "triggering mechanisms," see the Arizona Tax Research Association's April 1999 newsletter.
5. Each of the quarter percentage-point reductions will not be effective until after Dec. 31, 2000.
6. "Businesses got most of agenda in Legislature," Howard Fischer, Capitol Media Services, published in *The Tribune*, May 8, 1999, p. B1.
7. Most of the layoffs are due to Australian-owned BHP Properties' planned closing of its copper mining and smelter operations in Marana, near Tucson.
8. "Businesses got most of the agenda in Legislature," Howard Fischer, Capitol Media Services, published in *The Tribune*, May 8, 1999, p. B1.
9. The Arizona Department of Commerce 1999 Legislative Report, June 16, 1999.
10. "Tax cuts lauded as incentive for new business," Chris Coppola, *The Tribune*, April 11, 1999, p. B1.
11. "Businesses hope for tax cuts, opposed health mandates," Angela Gabriel, *The Business Journal*, Internet Site, March 1, 1999.

(continued on page 15)

Jobless Rate Stayed at 10-Year Low of 4%; Construction Strong

Arizona's civilian labor force grew by a seasonally high average 10,700 during the first quarter of 1999. This represents a five-tenths of one percentage point increase over fourth-quarter '98 figures, as compared to the 10-year average

ARIZONA'S WORKFORCE — 1ST QTR. 1999

one-tenth of one percentage point loss that typically occurs. The seasonally adjusted unemployment rate remained at the decade-low average of 4 percent, first reached in the fourth-quarter of '98.

Nonfarm payroll jobs decreased by six-tenths of one percentage point during the first quarter, only slightly more than the 10-year average first-quarter decrease of two-tenths of one percentage point.

This year's first-quarter loss represents an average decrease of 13,000 jobs over fourth-quarter '98. Goods-producing industries showed a below-average loss of 1,000 jobs for the period. Service-producing industries lost 12,000 jobs, a seven-tenths of a percentage point greater decline than the 10-year average, but in line with a trend that has been evident over the last two years.

Other highlights for the first quarter:

- Construction employment was notably high for the quarter, showing a gain of one-tenth of one percent rather than the 10-year average 3.3 percent loss. Still a robust industry, spurred in part by Arizona's rapidly growing metropolitan areas, construction was further enhanced by generally warmer weather and favorably low interest rates.
- Mining, as expected, experienced an average reduction of 100 jobs,

(continued on back page)

Figure 1

Quarterly and 10-Year Average Quarterly Change in Arizona Major Industry Employment, 1st Qtr. 1999¹

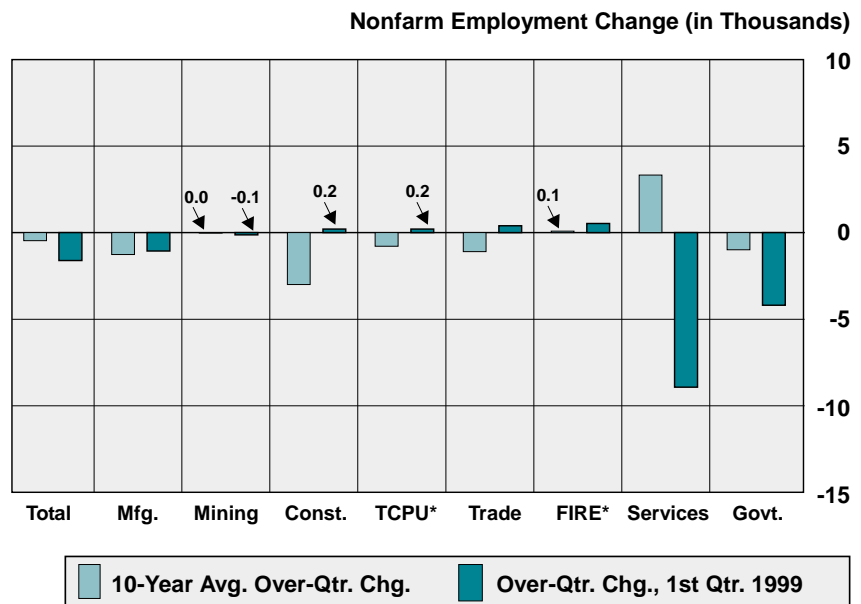
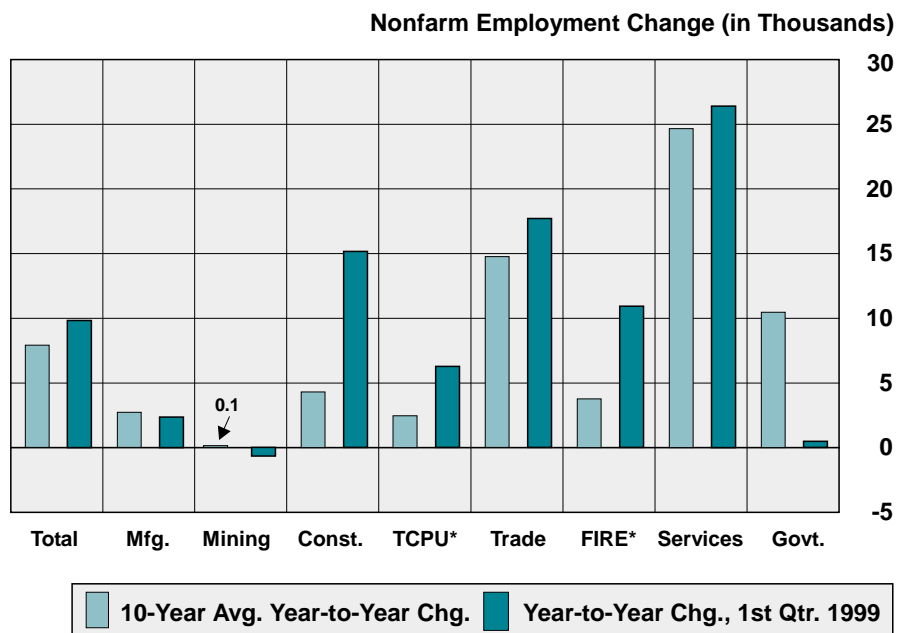


Figure 2

Year-to-Year Change and 10-Year Average Year-to-Year Change in Arizona Major Industry Employment, 1st Qtr. 1999¹



Note: 1) Quarterly averages of monthly data, not seasonally adjusted.

Source: Arizona Department of Economic Security, Research Administration, May 1999

Table 1

**Arizona Quarterly Nonfarm Employment Data, with Quarterly and Over-the-Year Percentage Change,
1st Qtr. 1998-1st Qtr. 1999⁽¹⁾**

(in Thousands)

| | 98/1 | 98/2 | 98/3 | 98/4 | 99/1 | 10-year Avg. of Qtr. 1 Changes |
|---|----------------|----------------|----------------|----------------|----------------|-----------------------------------|
| Civilian Labor Force | 2,194.1 | 2,251.7 | 2,306.4 | 2,337.4 | 2,348.1 | |
| Quarterly Change | -0.7% | 2.6% | 2.4% | 1.3% | 0.5% | NA |
| Annual Change | 1.6% | 3.6% | 5.0% | 5.8% | 7.0% | NA |
| Total Employment | 2,109.6 | 2,158.3 | 2,197.3 | 2,248.0 | 2,261.5 | |
| Quarterly Change | -0.3% | 2.3% | 1.8% | 2.3% | 0.6% | NA |
| Annual Change | 2.6% | 4.0% | 5.4% | 6.3% | 7.2% | NA |
| Total Nonfarm Payroll Employment | 2,043.5 | 2,071.1 | 2,062.6 | 2,135.1 | 2,122.1 | |
| Quarterly Change | -0.5% | 1.4% | -0.4% | 3.5% | -0.6% | -0.2% |
| Annual Change | 4.8% | 5.0% | 5.0% | 4.0% | 3.8% | 3.8% |
| Manufacturing | 215.0 | 216.7 | 218.0 | 218.4 | 217.4 | |
| Quarterly Change | 1.0% | 0.8% | 0.6% | 0.2% | -0.5% | -0.7% |
| Annual Change | 6.1% | 5.7% | 4.4% | 2.6% | 1.1% | 1.4% |
| Mining and Quarrying | 13.1 | 13.0 | 12.8 | 12.6 | 12.5 | |
| Quarterly Change | -2.5% | -1.3% | -1.3% | -1.6% | -1.1% | -0.2% |
| Annual Change | -5.5% | -4.9% | -9.2% | -6.4% | -5.1% | 1.4% |
| Construction | 135.7 | 141.5 | 147.3 | 150.7 | 150.9 | |
| Quarterly Change | -1.3% | 4.3% | 4.1% | 2.3% | 0.1% | -3.3% |
| Annual Change | 8.0% | 8.9% | 9.8% | 9.6% | 11.2% | 4.3% |
| Transportation, Communications and Public Utilities, | 98.1 | 100.0 | 101.7 | 104.2 | 104.4 | |
| Quarterly Change | -1.2% | 2.0% | 1.7% | 2.4% | 0.2% | -0.9% |
| Annual Change | 3.5% | 4.0% | 5.7% | 4.9% | 6.4% | 3.0% |
| Finance, Insurance, & Real Estate | 132.5 | 139.2 | 141.1 | 142.9 | 143.4 | |
| Quarterly Change | -0.9% | 5.1% | 1.4% | 1.2% | 0.4% | 0.0% |
| Annual Change | 7.9% | 10.7% | 9.9% | 6.9% | 8.3% | 3.5% |
| Trade | 494.6 | 496.0 | 494.3 | 511.9 | 512.3 | |
| Quarterly Change | -0.6% | 0.3% | -0.3% | 3.6% | 0.1% | -0.3% |
| Annual Change | 3.4% | 3.7% | 4.0% | 2.8% | 3.6% | 3.6% |
| Services and Miscellaneous | 607.2 | 625.8 | 629.3 | 642.6 | 633.6 | |
| Quarterly Change | -0.9% | 3.1% | 0.6% | 2.1% | -1.4% | 0.7% |
| Annual Change | 3.7% | 5.4% | 5.7% | 4.9% | 4.3% | 5.4% |
| Government | 347.2 | 338.9 | 318.1 | 351.9 | 347.7 | |
| Quarterly Change | 0.5% | -2.4% | -6.1% | 10.6% | -1.2% | -0.4% |
| Annual Change | 6.5% | 2.5% | 2.2% | 1.8% | 0.1% | 3.7% |

Notes: 1) Detailed industry data may not add up exactly due to averaging.
NA = Not Available
See Table 3 for Source

Table 2

**Phoenix Metro Area Quarterly Nonfarm Employment Data, with Quarterly and Over-the-Year Percentage Change,
1st Qtr. 1998-1st Qtr. 1999⁽¹⁾**

(in Thousands)

| | 98/1 | 98/2 | 98/3 | 98/4 | 99/1 | 10-year Avg. of Qtr. 1 Changes |
|---|----------------|----------------|----------------|----------------|----------------|-----------------------------------|
| Civilian Labor Force | 1,456.0 | 1,487.7 | 1,527.3 | 1,558.1 | 1,565.4 | |
| Quarterly Change | 0.1% | 2.2% | 2.7% | 2.0% | 0.5% | NA |
| Annual Change | 2.6% | 4.6% | 6.3% | 7.1% | 7.5% | NA |
| Total Employment | 1,418.4 | 1,449.8 | 1,481.3 | 1,515.6 | 1,522.2 | |
| Quarterly Change | 0.3% | 2.2% | 2.2% | 2.3% | 0.4% | NA |
| Annual Change | 3.4% | 5.0% | 6.4% | 7.2% | 7.3% | NA |
| Total Nonfarm Payroll Employment | 1,431.1 | 1,454.8 | 1,451.7 | 1,502.1 | 1,490.3 | |
| Quarterly Change | 0.0% | 1.7% | -0.2% | 3.5% | -0.8% | -0.2% |
| Annual Change | 5.3% | 5.9% | 6.1% | 5.0% | 4.1% | 4.1% |
| Manufacturing | 169.0 | 170.1 | 170.8 | 171.0 | 170.5 | |
| Quarterly Change | 1.4% | 0.7% | 0.5% | 0.1% | -0.3% | -0.2% |
| Annual Change | 7.6% | 6.7% | 4.8% | 2.6% | 0.9% | 1.9% |
| Mining and Quarrying | 5.8% | 5.7% | 5.6% | 5.6% | 5.5% | |
| Quarterly Change | -3.3% | -2.3% | -1.2% | 0.0% | -1.2% | 2.4% |
| Annual Change | -10.8% | -6.1% | -13.4% | -6.7% | -4.6% | 3.3% |
| Construction | 99.6 | 103.5 | 107.8 | 110.1 | 110.5 | |
| Quarterly Change | -0.3% | 4.0% | 4.1% | 2.1% | 0.4% | -3.1% |
| Annual Change | 9.7% | 11.0% | 11.6% | 10.3% | 11.0% | 4.9% |
| Transportation, Communications and Public Utilities, | 72.3 | 73.7 | 75.3 | 77.5 | 78.2 | |
| Quarterly Change | 0.0% | 1.9% | 2.2% | 2.9% | 1.0% | -1.1% |
| Annual Change | 4.3% | 5.1% | 7.6% | 7.1% | 8.2% | 3.5% |
| Finance, Insurance, & Real Estate | 110.8 | 116.7 | 118.8 | 121.3 | 121.9 | |
| Quarterly Change | -0.9% | 5.3% | 1.8% | 2.2% | 0.5% | 0.4% |
| Annual Change | 7.3% | 10.2% | 10.2% | 8.5% | 10.0% | 3.9% |
| Trade | 350.4 | 351.7 | 349.8 | 362.7 | 363.8 | |
| Quarterly Change | 0.1% | 0.4% | -0.5% | 3.7% | 0.3% | -0.4% |
| Annual Change | 4.3% | 4.8% | 5.1% | 3.6% | 3.8% | 3.9% |
| Services and Miscellaneous | 439.0 | 452.3 | 452.6 | 461.6 | 452.2 | |
| Quarterly Change | -1.0% | 3.0% | 0.1% | 2.0% | -2.0% | 0.9% |
| Annual Change | 3.9% | 4.8% | 5.3% | 4.1% | 3.0% | 5.9% |
| Government | 184.2 | 181.3 | 171.1 | 192.4 | 187.5 | |
| Quarterly Change | 2.0% | -1.6% | -5.6% | 12.5% | -2.5% | -0.7% |
| Annual Change | 5.9% | 5.7% | 5.8% | 6.6% | 1.8% | 3.2% |

Notes:

- 1) Detailed industry data may not add up exactly due to averaging
- 2) The introduction of Pinal County into the Phoenix-Mesa Metropolitan Area has created an inconsistency in the mining employment data beginning in 1990
- a) Phoenix-Mesa Metropolitan Area includes Maricopa and Pinal counties

Table 3

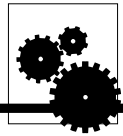
**Tucson Metro Area Quarterly Nonfarm Employment Data, with Quarterly and Over-the-Year Percentage Change,
1st Qtr. 1998-1st Qtr. 1999⁽¹⁾**

(in Thousands)

| | 98/1 | 98/2 | 98/3 | 98/4 | 99/1 | 10-year Avg. of Qtr. 1 Changes |
|---|--------------|--------------|--------------|--------------|--------------|-----------------------------------|
| Civilian Labor Force | 360.1 | 370.9 | 373.6 | 383.1 | 387.8 | |
| Quarterly Change | -2.1% | 3.0% | 0.7% | 2.6% | 1.2% | NA |
| Annual Change | -0.2% | 2.6% | 3.1% | 4.2% | 7.7% | NA |
| Total Employment | 349.6 | 360.9 | 362.7 | 373.8 | 378.2 | |
| Quarterly Change | -1.8% | 3.2% | 0.5% | 3.1% | 1.2% | NA |
| Annual Change | 0.3% | 3.1% | 3.7% | 5.0% | 8.2% | NA |
| Total Nonfarm Payroll Employment | 321.1 | 325.6 | 320.8 | 334.0 | 334.0 | |
| Quarterly Change | -1.3% | 1.4% | -1.5% | 4.1% | 0.0% | -0.2% |
| Annual Change | 3.1% | 3.6% | 3.3% | 2.7% | 4.0% | 2.6% |
| Manufacturing | 28.5 | 29.0 | 29.2 | 29.4 | 29.0 | |
| Quarterly Change | -0.5% | 1.5% | 0.7% | 0.9% | -1.4% | -0.3% |
| Annual Change | 1.4% | 2.8% | 3.6% | 2.7% | 1.8% | -0.6% |
| Mining and Quarrying | 2.2% | 2.2% | 2.1% | 2.1% | 2.1% | |
| Quarterly Change | 0.0% | 0.0% | -3.0% | -1.6% | 0.0% | 1.5% |
| Annual Change | -4.3% | -4.3% | -8.6% | -4.5% | -4.5% | 3.1% |
| Construction | 19.2 | 19.8 | 20.4 | 20.7 | 21.0 | |
| Quarterly Change | -4.2% | 3.0% | 3.4% | 1.1% | 1.5% | -3.0% |
| Annual Change | 2.9% | 3.5% | 3.7% | 3.2% | 9.2% | 1.5% |
| Transportation, Communications and Public Utilities, | 13.4 | 13.5 | 13.4 | 13.6 | 13.3 | |
| Quarterly Change | -5.4% | 1.2% | -0.7% | 1.0% | -1.7% | -0.4% |
| Annual Change | 1.5% | 1.2% | -2.9% | -4.0% | -0.2% | 4.0% |
| Finance, Insurance, & Real Estate | 12.4 | 12.8 | 13.4 | 13.6 | 13.3 | |
| Quarterly Change | -1.8% | 3.2% | 4.4% | 1.7% | -2.4% | -1.8% |
| Annual Change | 6.9% | 9.4% | 9.8% | 7.6% | 7.0% | 0.2% |
| Trade | 70.3 | 69.5 | 69.2 | 72.2 | 72.0 | |
| Quarterly Change | -2.5% | -1.1% | -0.4% | 4.3% | -0.4% | -0.4% |
| Annual Change | 2.8% | 1.8% | 1.5% | 0.2% | 2.4% | 2.2% |
| Services and Miscellaneous | 104.0 | 106.1 | 106.7 | 108.4 | 109.3 | |
| Quarterly Change | 2.7% | 2.1% | 0.6% | 1.6% | 0.8% | 1.0% |
| Annual Change | 6.2% | 7.5% | 7.5% | 7.1% | 5.1% | 4.3% |
| Government | 71.2 | 72.7 | 66.3 | 74.0 | 74.0 | |
| Quarterly Change | -4.3% | 2.2% | -8.9% | 11.6% | 0.0% | -0.2% |
| Annual Change | 0.0% | -0.1% | -0.8% | -0.5% | 4.0% | 3.1% |

Notes: 1) Detailed industry data may not add up exactly due to averaging
b) Tucson Metropolitan Area includes all of Pima County
NA = Not Available

Source: Arizona Department of Economic Security, Research Administration, and U.S. Bureau of Labor Statistics, May 1999



Phoenix Metro Area

Manufacturing

Motorola Inc. sold its Semiconductor Components Group, based in Phoenix, for **\$1.6 billion to Texas Pacific Group**. Subsequently, the company was renamed **ON Semiconductor**. Both companies said the move is not likely to affect the group's 2,500 Valley employees (out of 10,000 total), and that it may lead to additional jobs. Meanwhile, one of the **remaining portions of Motorola's semiconductor division** announced plans to **create about 60 new jobs at its two Chandler facilities** this year and **expects to add 400 to 500** more jobs by 2002. The Chandler operations will need manufacturing line workers, maintenance and process technicians, and design engineers and supervisors.

"Modest" job cuts are expected as part of a **proposed merger** between two of the Phoenix area's largest employers, **AlliedSignal and Honeywell**. The merged company, which will be called Honeywell, will create the Valley's largest employer (17,500 jobs), pending government approval, when completed at the end of the year. The new company's aerospace division, with revenue of about \$10 billion, will be based in Phoenix, while its corporate headquarters will be in New Jersey.

After an infusion of \$18 million in venture capital, Phoenix-based **software maker NeoPlanet expects to double the size of its workforce** to 120 over the next six months. NeoPlanet makes an add-on product for Internet browsers (e.g., Netscape, Explorer) that changes the look and feel of the Internet experience.

Construction

Phelps Dodge Corp. plans to build a **20-story office building in downtown Phoenix** to house its corporate headquarters and 250 employees. The \$78 million high-rise will also have an additional 200,000 square feet available for lease to other companies. **Ryan Cos.** is expected to begin work on the building later this year, with completion set for November 2001.

The Phelps Dodge building is one of about **\$2 billion in projects** currently under way or in the planning stages for **downtown Phoenix**. Bank of America will anchor, sometime in 2000, the first of three 23-story buildings being built as part of the \$500 million Collier Center. Also, the **Marriott Corp.** recently announced it will operate a \$127 million, **31-story hotel at the Collier Center**. Complimenting the Marriott will be a 350-room Embassy Suites hotel, with work getting under way this summer. And finally, a \$30 million, 5,000-seat performing-arts center is being built on two acres at Fourth and Fifth avenues north of Washington Street.

Queen Creek, the small farming community in the extreme southeast Valley, is expected to see an explosion of

growth over the next few years. Proposals by three developers — Ryland Homes, Jim Hankins, and Johan De Keizer — would bring nearly **5,000 new homes** to an area near Ellsworth and Ocotillo roads. Work was expected to begin sometime this summer.

The **city of Peoria** has given approval to a **1,300-acre master-planned community** near Happy Valley Road and 83rd Avenue. The Pivotal Group of Phoenix will develop the project called WestWing Mountain, which will include 344 acres for a public preserve, as well as sites for future schools and emergency services.

Construction of a **\$43 million heart hospital** was expected to begin this summer on the **Mesa campus of Valley Lutheran Hospital**. The 60-bed facility, which is expected to open in the fall of 2000, will include three operating rooms and cardiac catheterization laboratories, cardiac rehabilitation facilities, and outpatient services. The developer, Lutheran Healthcare Network of Fargo, N.D., also plans 40,000 square feet of physician office space.

Services

An impending **\$1.8 billion merger of Samaritan and Lutheran Health Systems**, which will create a health juggernaut in the east Valley, is expected to be completed by September. However, the joining of Good Samaritan Regional Medical Center in Phoenix with three hospitals in Mesa — Desert Samaritan, Mesa Lutheran, and Valley Lutheran — is expected to cause layoffs down the line. While no details about job reductions have been announced, hospital officials have conceded that cutbacks in areas such as materials management and human resources will be forthcoming.

Transportation, Communications, and Public Utilities

The parent company of Arizona Public Service has announced plans to build a **\$220 million natural gas-fired power plant** in southwest Phoenix. **Pinnacle West Capital Corp. will join with San Jose-based Calpine Corp.** to build a 500-megawatt facility at APS' West Phoenix Power Station, which will create **200 jobs during construction and 25 full-time positions** after completion in 2001. Calpine is building a similar plant on the Fort Mohave Indian Reservation, 28 miles south of Bullhead City.

Package delivery firm **DHL Worldwide Express** was expected to start on a **\$26 million expansion** of its **Valley customer-service operations** at Papago Park Center in Tempe. The 91,000-square-foot expansion, which will include a computer data center, more space for customer-service operations, and a two-story parking garage, is expected to lead to an additional 500 jobs within 10 years, the company said.

MCI WorldCom is **expanding** its Valley workforce of 1,600 by about 15 percent. The long-distance telephone

provider said it will hire 250 additional sales and customer-service representatives for its Phoenix and Chandler operations, with four-fifths of the full- and part-time job openings going to its east Valley facility (Dobson Road and Chandler Boulevard). MCI WorldCom's Chandler operation has also hired 200 technical-support staff in the last eight months.

Government

The **cities of Phoenix, Mesa, and Peoria** announced plans to **hire more than 200 new police officers**. Phoenix will need 100 new officers to equip patrol cars used on second shift with two officers. The two-person patrols are being initiated in response to recent Valley police shootings. Growth is the primary issue in Mesa and Peoria. Mesa wants to add 50 positions to replace retiring officers and 50 to cover population growth. Peoria wants to hire 10 new police employees, including six patrol officers and three police assistants.

Tucson Metro Area

Manufacturing

Through early April, **Raytheon Corp.** had filled about **two-thirds of the 2,000 engineering openings** created by the consolidation of its missile operations in Tucson. Many of the positions in software and systems development, electronics, and radar have been filled through transfers from other Raytheon operations in Texas and Massachusetts. But college job fairs have also been used to recruit workers.

Construction

In late April, Pinal County supervisors approved a plan for a **new-home development** that over the next 20 to 25 years will **triple the population of Oracle**, a community of 4,500 about 25 miles northeast of Tucson. The nearly **3,900-home Rancho Coronado project**, which was scaled down by 2,000 homes, was given the OK despite vocal protest during the supervisors' meeting. One of the reasons given for approving the project was to offset a loss of jobs at the nearby BHP copper mine in San Manuel.

Developer **Sharp and Associates** has begun the first phase of a **2,800-acre retirement community** south of Tucson. The Rancho Sahuarita project, near Interstate 19 and Sahuarita Road, will consist of 1,800 manufactured homes and a 20,000-square-foot clubhouse. The developer estimates it will take 11 to 14 years to complete the project — geared toward baby boomers wanting a second home — with 75 to 200 homes added a year.

Balance of State

Manufacturing

A 32,000-square-foot expansion and modernization project will lead to **120 new jobs at its Yuma plant**, said Russell Co. officials. Formerly known as Russell Coil Co. Inc., the company makes heat-transfer equipment for temperature-controlled display cases and other commercial refrigeration products. **AET**

Tax Cuts, Workers' Comp Among Major Issues in Legislative Session

(continued from page 9)

12. Ibid.
13. "Disputed study finds health bill would hike premiums," Howard Fischer, Capitol Media Services, *The Tribune*, March 2, 1999, p. A5.
14. "New hope for insurance companies to stay in Arizona," Angela Gonzales, *The Business Journal*, May 28, 1999, p. 57.
15. Ibid.
16. Chapter 184, "1999 Legislative Summary," Arizona State Senate, July 1999, p. 86.
17. "Bill limiting telemarketing in Arizona advances," Howard Fischer, Capitol Media Services, published in *The Arizona Daily Star*, Internet Edition, March 18, 1999.
18. "Lawmakers weight Internet issues," Ed Taylor, *The Tribune*, Feb. 15, 1999, p. B1.
19. Ibid.

20. "Tech bills test legislators," Ken Brown, *The Business Journal*, Internet Edition, March 1, 1999. As originally manufactured, the Pentium III chip came with a default setting to give out computer's serial number. In later versions, the chip came with a feature allowing computer owners to turn off this feature.
21. Ibid.
22. "Homebuilders lobbying for lawsuit protection," Mike Padgett, *The Business Journal*, Internet Edition, Feb. 1, 1999.
23. Ibid.
24. Ibid.
25. In the early and mid-90's, economic-development legislation received a high priority with dozens of economic-development bills enacted. Those included tax incentives for companies locating in military-reuse and enterprise zones.
26. "It's a start: Job-training cuts restored," Naaman Nickell, *The Arizona Republic*, AZCentral Internet site, April 28, 1999.
27. "Company broke law in trench fatality," Penelope Overton and James A. Ahlers, *The Tribune*, March 12, 1999, p. 1.
28. Ibid.
29. "Bill would abolish DES — Duties would be left to counties," Hal Mattern, *The Arizona Republic*, March 25, 1999, Internet Edition (AZCentral.com).
30. "Chamber works to defer severance recipients' unemployment benefits," Howard Fischer, Capitol Media Services, published in *The Tribune*, April 30, 1999, p. B1.
31. Ibid.
32. "Embattled medical board struggles to reduce backlog of complaints," Jennifer Markley, *The Tribune*, June 6, 1999, p. A1.
33. Ibid.
34. Chapter 218 — 441R, Senate Version of HB 2487, 41st Arizona State Legislature.
35. Chapter 276 — 441 — Conference Version of HB 2504, 41st Arizona State Legislature.
36. Chapter 229 — 441R — Senate Version of HB 2515, 41st Arizona State Legislature.
37. Chapter 192 — 441R — House Version of SB 1326, 41st Arizona State Legislature. **AET**

—Brent Fine,
RA Publications Editor

Unemployment Rate at Decade-Low Level

(continued from page 10)

continuing the downward trend for this industry.

- Manufacturing employment decreased by a seasonally expected average of 1,100 jobs. The 10-year average decrease for manufacturing during the first quarter is 1,300 jobs (-0.7 percent). Manufacturing growth was slower in 1998, largely due to the Asian economic crisis. Jobs in the electronics, communications, and machinery industries have borne the brunt of the Asian economic downturn, a trend which continued in the first-quarter of '99.
- Employment in transportation, communications, and public utilities (TCPU) increased by an average of 200 jobs. All sectors in this industry group showed first-quarter strength, as the over-the-year percentage gain (6.4 percent) more than doubled the 10-year average gain. The expansion was primarily due to a significant increase in the transportation sector, resulting from the strong demands of Arizona's growing population and a healthy economy.
- The finance, insurance, and real estate (FIRE) group added jobs at an over-the-year rate of 8.3 percent, more than double the 10-year aver-

age of 3.5 percent. Arizona's favorable combination of high demand for homes, automobiles, and furniture, etc., pushed employment in this industry to an overall high.

- Services employment declined by 8,900 in the first quarter. The greater usage of temporary seasonal help (due to tight labor markets) and their subsequent release after the holidays contributed to the 1.4 percent over-the-quarter loss of employment. The health services sector gained employment for the quarter, supporting an expanding Arizona population.
- Government averaged a loss of 4,200 jobs in the first quarter, continuing a slowing trend that began in early 1998.
- Strong job growth in both retail and wholesale trade resulted in quarterly percentage gains in the 4 percent range. The normal drop in retail trade employment after the holiday season did not materialize, as strong consumer buying patterns continued throughout the quarter. **AET**

—Peter Kozy,
RA Economist



Arizona Economic Trends is published quarterly by the Arizona Department of Economic Security, Research Administration, by authority of the Wagner-Peyser Act and through funding provided by the U.S. Department of Labor. Reproduction of *Arizona Economic Trends* for commercial use is prohibited by Section 39-121, Arizona Revised Statutes. Permission to reprint this publication, or parts of it, for non-profit use may be granted upon written request (see below for address).

| | |
|------------------------|--------------|
| Research Administrator | Dan Anderson |
| Managing Editor | Ron Simon |
| Editor | Brent Fine |
| Publication Assistant | Debra Scott |

The purpose of *Arizona Economic Trends* is to provide an update and analysis of state and county employment and economic data, as well as information on state and national programs and policies that affect the nation's and Arizona's labor markets. Included in this publication twice yearly are Research Administration's two-year projections of employment, unemployment, and labor force for Arizona and its major sub-state regions.

U.S. residents may receive this publication free of charge by writing to: Arizona Department of Economic Security, Research Administration, P.O. Box 6123, Site Code 733A, Phoenix, AZ 85005; or by calling (602) 542-3871. Subscribers who do not wish to continue receiving the publication are asked to indicate so in box below and mail to above address. If your address has changed, please mark box and return mailing label with correct address to above address.

- ☐ Would like to subscribe
- ☐ No longer wish to subscribe
- ☐ Change of address

Name _____

Street Address _____

City, State, ZIP _____

Employment Security - Labor
Labor Market Information Publications
Site Code 733A
P.O. Box 6123
Phoenix, AZ 85005

Official Business
Penalty for Private Use, \$300

Address Correction Requested

First Class Mail
Postage & Fees Paid
Employment Security - Labor
G-12



Printed on
recycled paper